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Report Highlights:
Korea is the 4th largest market for U.S. agricultural products. Imports of consumer oriented food products were reduced slightly in 2001 from a year ago mainly due to sharp decrease in red meat imports resulted from the so many bad reports about BSE and FMD in early 2001 and relatively slow economic performance. However, imports of consumer oriented foods are expected to be a record in 2002 due mainly to the strong Korean currency and expected economic growth of 6 percent.

This report serves as a general guide to prospective U.S. agricultural exporters seeking to enter this attractive market. For more complete information, please see our website at atoseoul.com.

Includes PSD changes: No
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THE EXPORTER GUIDE, KOREA

SECTION I. MARKET OVERVIEW

The real GDP growth rate in Korea in 2001 reached 3.0 percent (preliminary) and per capita GNI (Gross National Income) reached $8,900 (preliminary) in 2001, down from $9,770 in 2000. The decreased per capita GNI in 2001 is ascribed chiefly to the depreciation of Korean currency against U.S. dollar. However, the GDP growth in 2002 is expected to reach about 6 percent in 2002 unlike the global economic slump, and the per capita GNI is forecast to reach around $10,000 thanks to the strong Korean currency and high GDP growth. The foreign exchange reserves totaled over $112 billion as of June 2002.

Korea must import about 70 percent of its agricultural product needs. About the size of Indiana, the 2002 population of Korea is estimated at 47 million. Of the total population, about 47 percent are concentrated in the metropolitan Seoul area (Seoul, Inchon and Kyunggi Province). The population density of Korea is one of the highest in the world, 479 persons per square kilometer.

Imports of many consumer-ready food products are highly sensitive to the performance of the economy. According to Korea Trade Information Service (KOTIS) compiled by ATO Seoul (based on CIF value), total imports of consumer oriented foods decreased by -3.4 percent to $2.77 billion in 2001 from $2.87 billion in 2000. Imports of consumer oriented food from the United States also decreased to $1.01 billion in 2001 from $1.15 billion in 2000, chiefly due to sharp decrease in red meat imports resulted from the so many bad reports about BSE and FMD in early 2001 and relatively slow economic performance. These imports from the United States accounted for about 37 percent of those imported from the world. However, imports of consumer oriented foods are expected to be at a record high in 2002 as shown on the table below due to the strength of the Korean economy.

Imports of Consumer Ready Food Products and Fishery Products in Korea
(in millions of dollars)

Description	1999		2000		2001		2002 (Jan-Jul)	
	World	USA	World	USA	World	USA	World	USA
Consumer-oriented	2,119	**785**	2,871	**1,150**	2,772	**1,021**	2,018	**816**
Fish & Seafood	1,115	**122**	1,338	**138**	1,585	**149**	1,027	**88**

Sources: Korea Trade Information Service compiled by ATO Seoul

In 2001, 47 percent of women in Korea who were 15 years or older were employed. As heads of households, men are the major wage earners and usually turn over their salary to their wives, who manage the home expenses and savings. While decisions on purchasing expensive goods or large expenditures are generally made in consultation between husbands and wives, decisions on food and beverage purchases are generally determined by women. Another important demographic factor to consider is that younger Koreans have a higher propensity to consume western style foods. This is demonstrated by western style fast food and family restaurants catering to the young.

The Monthly Statistics of Korea (July 2002 Issue) shows that the average monthly expenditures on food and beverage per household in cities in 2001 were 26.3 percent of a family's household consumption expenditures. The average persons per household in cities were 3.49 persons in 2001. The average monthly expenditures on food and beverage per household in cities in 2001 are as follows:

Food & Beverage Items	Expenditure	Percent
Cereals and bread	56,600 won ($43.85)	12.2%
Meat	43,000 won ($33.31)	9.3%
Dairy products	20,100 won ($15.57)	4.3%
Fish	32,900 won ($25.49)	7.1%
Vegetables & seaweeds	34,700 won ($26.88)	7.5%
Fruits	28,200 won ($21.85)	6.1%
Oils, fats & seasonings	15,100 won ($11.70)	3.3%
Bakery and confectioneries	18,000 won ($13.95)	3.9%
Tea and soft drinks	11,700 won ($9.07)	2.5%
Alcoholic beverages	5,800 won ($4.49)	1.3%
Other foods	7,000 won ($5.42)	1.5%
Eating out	190,500 won($147.58)	41.0%
Total Expenditure	463,600 won ($359.16)	100.0%

*The average annual exchange rate of Korean won against the US$ depreciated to 1,290.8 won in 2001 from 1,130.6 won in 2000. For the first six months of 2002, the average exchange rate was 1,294.5 won, and the current rate is about 1,200 won against the US$.

Advantages and challenges of U.S. consumer-ready food products.

Advantages	Challenges
Equal or superior quality to domestic and competitor products	U.S. exporters lack knowledge of Korean market
Increasing per capita consumption	Importers lack product awareness and knowledge of product sources
General acceptance and confidence in imported U.S. foods and beverages	Sometimes onerous inspection and customs clearance procedures and requirements

Low tariffs for consumer-ready products	Food safety concerns and GMO issues
Diminishing resistance to imported foods	High marketing costs
Almost all food products are importable	Frequent changes of food regulations

SECTION II. EXPORTER BUSINESS TIPS

A. Local Business Practices - How to do business in Korea

Korea has the reputation of being a very difficult place to do export business. The trade statistics, however, do not support this common notion. Korea is the 4th largest market for U.S. agricultural and food products. Korea imported about $3.33 billion of food, seafood and agricultural products from the United States in 2001.

U.S. exporters should contact potential importers directly. Sending catalogues, brochures, product samples, and price lists are a helpful way of introducing yourself and your products. ATO Seoul maintains and develops importer lists by commodity. U.S. suppliers and exporters may contact the ATO Seoul, or FAS, Washington D.C . for a list of importers.

Once the U.S. supplier or exporter has established contact, it is advisable for the exporter or supplier to visit the importer(s) in person. In Korea the cliches about "seeing is believing" and "one visit is worth a 1,000 faxes" are especially true. There is no substitute for face to face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract.

Another way of finding potential importers is to participate in food shows which showcase your products to a large business audience. Many Korean importers attending these shows are looking to establish reliable long term trading relationships. These shows maximize your contacts with importers, agents, wholesalers, distributors, retailers and others in the food and beverage industry.

The Food & Hotel Korea 2003 to be held in Seoul Trade Exhibition Center, March 18-20, 2003 is certainly one of the best ways to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc., but not the general public.

The following are some of business tips U.S. suppliers should keep in mind when they deal with Korean businessmen.

1. Name Cards and Address: The exchange of name cards is usually the first item of business. In Korea people seldom call people by their first names. Instead, use surnames or title and surname, such as Mr. Kim or President Kim unless the person specifically asks to be called by their first name.

2. Arrange a Formal Introduction: It is important to have a formal introduction to any person or company with whom you want to do business in Korea. Meeting the right person in a Korean company is almost always dependent on having the right introduction.

3. Dress: It is recommended to wear nice suits with a neck tie when U.S. suppliers or exporters meet or visit Korean importers for the first time. First impression is important.

4. Ensure your English is completely understood: Many Koreans say “Yes” when they should say “No”, and ”No” instead of “Yes”. For instance, in Korean, won’t you go home? “Yes” here in Korean means “No” in English.

5. Build Relationships: Personal relationships are very important. Koreans would like to maintain long-term relationships.

6. American companies also need to be sensitive to the fact that Korea is a unique market. Because a certain approach or a certain product was successful in another market does not mean it will be successful in Korea. It may be necessary to tailor the product's design, packaging and market approach to the Korean situation, requirements and tastes.

7. A final piece of advice on the Korean market is to never take anything for granted. Always be ready for the unexpected. Just because the first container cleared customs does not mean the second one will.

B. General Consumer tastes and Preferences

Consumer tastes and preferences are different depending on the products. Again, the younger generations of Koreans tend to be more amenable to western tastes. General consumers prefer national branded products and the products that have been long recognized in the market. Some of general consumer’s tastes and preferences depending on the products are: Crackers - Korean consumers generally don’t like salty ones but like crispy ones. Biscuits - Koreans don’t like sweet ones. Candy - Koreans don’t like too sweet candies nor mint-flavored ones but like fruit flavored ones and tend to prefer soft candies to hard candies. Sauces - Koreans don’t like fatty, salty, or sweet and sour sauces.

Korean consumers also like natural, fresh food without food additives, health food, functional food and low calorie food as per capita income increases. But most important is that the products should be good quality and reasonable prices.

C. Food Standards and regulations

There are many laws, regulations, standards, GMO, sanitary and labeling requirements related to imports of agricultural, forestry, fishery and food products in Korea. This report describes only basic guidelines of Korea’s import requirements. For detailed rules and regulations, please refer to the

FAIRS Report - KS 2037 dated July 30, 2002. Rules and requirements are subject to frequent change. It is recommended that U.S. exporters ensure that all necessary customs clearance requirements have been verified with local authorities through your foreign importers before the sale conditions are finalized. Final import approval of any product is always subject to the rules and regulations as interpreted by the country of import at the time of product entry.

1. Korean consumers are very sensitive to food safety issues. Although, they have not been educated about food safety nor do they know much about food safety, they generally depend on the media and trust it in spite of the media's often misleading information on food safety issues. The media generally reports the simple residue levels, bacteria count, etc, but not the tolerance levels permitted for each products. Once a "food scare" rumor gets publicity, that food is affected and its reputation is damaged quickly.

2. The new GMO labeling requirements for unprocessed corn, soybean and soybeans for sprout have been implemented since March 2001, processed corn, soybean and soybeans for sprouting implemented since July 200. The GMO labeling requirements were extended to fresh potatoes in March, 2002. To get exemption from GMO labeling requirements, one of following documents shall be furnished with shipments:

- IP documentation
- Government issued certification (federal, state, or local government)
- Test results showing no presence of DNA or foreign protein

3. Labeling Standards for Food

All imported food products are required to have Korean language labels. (Korean language stickers may be applied in lieu of Korean language labels. The sticker should not be easily removable and should not cover the original labeling). Labels for processed food should contain the following inscriptions printed in letters large enough to be readily legible:

1) Product name

2) Product type (only for designated products such as tea, health supplementary food, etc.)

3) Importer's name and address, and the address where products may be returned or exchanged in the event of defects.

4) Manufacturing date, month, and year (for liquor a manufacturing number (lot number) or bottling date can substitute for the manufacturing date) - only for designated products such as liquor, sugar, lunch box, etc.

5) Shelf life

6) Contents: Weight, volume or number of pieces (if the number of pieces is shown, the weight

or volume must be indicated in parentheses).

7) Ingredient(s) or raw material(s) and a percent content of the ingredient(s):
The name of the major ingredient must be included on the label as well as the names of at least the next four principle ingredients. These should be listed with the highest percentage first followed by the others. Artificially added purified water does not count as one of the five major ingredients.

8) Nutrients (only special nutritional foods, health supplementary foods, products wishing to carry nutritional labels and products wishing to carry a nutrient emphasis mark are subject to nutritional labeling)

9) Other items designated by the detailed labeling standards for food et al.:
This includes cautions and standards for use or preservation (e.g., drained weight for canned products, radiation-processed products, etc.).

In addition to the above requirements, country of origin labeling is required on food products.

*There are also several other labeling requirements such as Nutritional Labeling Requirements, Organic Labeling Requirements, Labeling Requirements for Livestock Products, and Labeling Requirements for GMO products, etc. Please refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Reports - KS2037 dated July 30, 2002 for further detail information.

4. Tariffs

Korea has a book called "Tariff Schedules of Korea" in which there is tariff information on each commodity. The book is more than 1,000 pages long, there are sometimes several tariffs for one commodity and it is a little too complicated to understand which one is currently applied. American exporters can contact ATO Seoul (At the end of this report there is contact information on ATO Seoul) for tariff rates.

5. Product Certification

Plant and meat quarantine inspections are very strict in Korea. No plant and meat products will clear Korean Customs without the necessary certificates and required information.

a. **Red Meat Products** must be accompanied by :

1). FSIS Form 9060-5, Meat and Poultry Export Certificate of Wholesomeness
2). FSIS Form 9305-3, Certificate for Export of Meat to the Republic of Korea

Processed meat products such as sausages, hamburger patties and ground meat do not need to indicate slaughter information on the FSIS Form 9305-3. These products are required to indicate only processing information.

* To get exempt from quarantine inspection of livestock or dairy products that comply with pasteurization or sterilization process specified by Korea, one of following documents shall be furnished:

- Health certificate issued by exporting government
- Manufacturing process verified by exporting government
- Notarized verification document issued by manufacturer

*In response to the BSE issues in Europe, Korea banned all ruminant animals and their products originating from 30 European nations. Korea now requires certification that the imported ruminant or ruminant product did not originate from a designated European country. Certification of a product's non-European origin can be a statement issued by the U.S. government, or by a private entity that is notarized by a government agency, relevant organization or local Chamber of Commerce.

b. **Poultry Products** must be accompanied by the following two certificates:

1). FSIS Form 9060-5, Meat and Poultry Export Certificate of Wholesomeness
2). FSIS form 9305-2A, Certificate for Export of Poultry Meat to the Republic of Korea

c. **Fresh Fruits, Vegetables and Nuts** (except walnuts) must be accompanied by :

Phytosanitary Certificate, PPQ Form 577, issued by APHIS/USDA.

*Concerning issuance date of both health and phytosanitary certificate, it shall be prior to on board date listed in the Bill of Lading. There was a delay of import clearance of fresh fruits during the first half of 2002 because the phytosanitary certificate was issued after fruits departed from the U.S. In order to prevent unnecessary delay at the port of entry, it is suggested that the certificate issuance date be prior to the departure date of shipments. In any cases, the inspection date on a certificate must be prior to the departure date.

d. **Frozen/processed Fruits and Vegetables** (not canned) must be accompanied by:

Certificate of Quality and Condition, Form FV-146CS issued by AMS/USDA

e. **Vacuum Packed Shelled Walnuts** must be accompanied by:

Phytosanitary Certificate, PPQ Form 577, issued by APHIS/USDA

f. **StarLink Free Certification**

In December 2000, after KFDA detected StarLink protein in U.S. corn shipments, imported food-grade corn and corn-based food products were required to arrive with a StarLink-free certification issued by the exporting country. For corn kernel shipments, such certification should be issued by GIPSA/USDA or an accredited lab to minimize potential problems during inspection clearance. Regardless, the sales contract should specify the terms for pre-shipment tests. For processed food products containing corn as one of its ingredients, certification can be met with a letter, statement, or certificate issued by the manufacturer or the exporter stating the raw corn ingredient was "StarLink-free."

6. Minimum amount of the initial commercial shipment

On May 15, 2000, KFDA issued the revision to the Guideline for Inspection of Imported Food Products. In the revision, KFDA added a clause limiting the minimum amount of the initial commercial shipment which it would inspect directly. When the quantity of the imported food is less than 100 kg, the imported food is required to be inspected by a KFDA-recognized inspection organization other than regional KFDA office or National Quarantine Services. Importers shall be responsible for charges associated with import inspection.

7. Copyright and/or Trademark Laws

Korea Industrial Property Office is responsible for registration of trademarks and for review of petitions related to trademark registration. In accordance with the Trademark Law, the trademark registration system in Korea is based on "first-to-file." A person who registers a trademark first has a preferential right to that trademark and the person who has a right over the trademark is protected by the Law. In order to prevent any trademark dispute, we strongly recommend U.S. companies wishing or planning to conduct business in Korea to register trademarks first.

8. Authorized U.S. Laboratories by the Korean Government

KFDA operates a program that recognizes foreign laboratories as official testing laboratories. This program aims to enhance the efficiency of conducting inspection of imported food. KFDA authorizes foreign official laboratories and recognizes inspection certificates or certificates of laboratory test results issued by these authorized official laboratories. As of now, there are two U.S. laboratories that have been authorized as official foreign laboratories by KFDA. They are:

Oregon Department of Agriculture
Export Service Center
1200 N.W. Naito Parkway, Suite 204
Portland, Oregon 97209-2835
Tel: 503-872-6644 Fax: 503-872-6615
E-mail: esc-food@oda.state.or.us

Omic USA Inc.
Mr. Ryuichi Kurosawa, President
1200 NW Naito Parkway
Portland, Oregon 97209
Tel: 503-224-5929 Fax: 503-223-9436

D. General Import and Inspection Procedures

Korea Customs Service (KCS), KFDA, National Quarantine Office (for ports that do not have KFDA regional offices), National Veterinary Research & Quarantine Service and National Plant Quarantine Service are the agencies involved in the import clearance process. Imports of agricultural products generally must receive clearance from several organizations and are thus much more likely to run into port delays than other imported products. These delays can be costly due to the perishable nature of many agricultural products. In addition to these organizations, there are many other agencies that are involved in regulating imports through the administration of licenses or in some cases, quotas for agricultural products. U.S. exporters should contact Korean importers for the most updated regulations before any export shipment is made in order to avoid any possible delays in customs clearance.

KCS is responsible for ensuring that all necessary documentation is in place before the product is finally released from the bonded area. KCS operates the EDI system (Electronic Data Interchange System) and KFDA operates the imported food network system through their regional offices and national quarantine offices. The KFDA network system is connected to the EDI system of KCS. This permits results of the KFDA inspection to be transmitted through the EDI system, once the inspection is completed. Such connection enables KCS to reduce the clearance time. Products subject to plant quarantine inspection and animal quarantine inspection must be cleared by the respective quarantine inspection authorities before KCS clears customs.

E. Korea Food & Drug Administration (KFDA) Import Procedures

1. The importer or the importer's representative submits the 'Import Declaration for Food.

2. The type of inspection to be conducted is determined in accordance with the guidelines for inspection of imported food products. The types of inspection that a given food product may be subject to are: Document Inspection, Organoleptical (visual, smell, touch, etc.) Inspection, Laboratory Inspection, and Random Sampling Examination

3. If a product is subject to organoleptical inspection, laboratory inspection and random sampling examination, the KFDA inspector will conduct a field examination and take samples for the laboratory test.

4. KFDA conducts the conformity assessment from the information collected, using such items as test results, document inspection results, etc.

5. If a product complies with the Korean standards, KFDA issues a certificate for import. An importer can clear products with the KFDA import certificate.

6. If a product does not comply with the Korean standards, KFDA will notify the applicant and the regional customs office on the nature of the violation. The importer decides whether to destroy or return the shipment to the exporting country or use it for non-edible purposes. If the violation can be corrected, as

with labels, the importer can reapply for the inspection after making the corrections.

7. For perishable agricultural products, such as fresh vegetables, fruits, etc., an importer can clear the products prior to completion of the laboratory test with a pre-certificate for import report issued by KFDA. However, in this case, the importer should be able to track down the distribution of the given product so he/she can recall the products, in case the laboratory test indicates a violation.

If products are subject to animal quarantine inspection or plant quarantine inspection in addition to food inspection by KFDA, the animal quarantine certificate or plant quarantine certificate issued by the National Veterinary Research & Quarantine Service (NVRQS) or the National Plant Quarantine Service (NPQS) is required for product clearance, in addition to the KFDA certificate. Inspection by NPQS or NVRQS can take place simultaneously with the KFDA inspection.

F. Documents Generally Required for Customs Clearance and Inspections

1. Invoice
2. Bill of Lading, or Airway Bill
3. Packing List
4. Certificate of Origin (not required if there is "Made in USA" on the label.)
5. Ingredient List by 100 percentage
6. Processing Method
7. Certificate of Production Date
8. Packing Material (not required for bottles, cans and paper packages)
9. Non-GMO certification (for corn, soybeans and potatoes)
10. Sanitary certificate (for meat, fruit, nuts, vegetables, plants, grains, etc.)

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

In case of the retail sector, U.S. suppliers should try to contact importers to export their products because few retailers import food and agricultural products directly from foreign suppliers. In the case of the HRI sector, hotels and restaurants purchase imported food products through the Korea Tourist Supply Center, importers, distributors and/or import directly from overseas suppliers. In case of the food processing sector, food processors normally import large volume of ingredients or grains directly, and generally purchase small volume of ingredients from importers and/or trading agents.

A. Retail Food Sector

There are several types of retailers who handle foods and agricultural products. They are: general marketplace (conventional open air markets), periodic marketplaces in rural areas (normally opens once every 5 days), department stores/shopping centers, supermarkets (super chain companies and several thousand independent small supermarkets and outlets), convenience stores, Mom & Pop Stores, National Agricultural, Fishery and Livestock Cooperative Federation Stores and discount stores or membership warehouse type stores.

Because the greatest interest in department stores, supermarkets, convenience stores and discount stores, below is a more information on each one. Most retailers purchase imported food products from importers and/or wholesalers. Few retailers import food products directly from overseas suppliers.

1. Department Stores/Shopping Centers. According to the Korea Chamber of Commerce and Industry's (KCCI) Analysis of the Trend of Retail Business in 2001 (issued in July 2002), the average annual sales per store of 101 department stores/shopping centers surveyed by the KCCI increased by 15.5 percent to 195.5 billion won (average annual exchange rate: 1,290.8 won/US$) in 2001 from 169.3 billion won in 2000. Of the sales food and beverage accounted for 18.6 percent in 2001. For instance, the Yearbook of Distribution Industry indicates that the total sales of Lotte Department Store (the largest Department Store in Korea) with 13 stores increased 5.7 trillion won in 2001 from 4.6 trillion won in 2000.

2. Supermarkets. The KCCI report revealed that the average annual sales of each supermarket outlet of 1,140 supermarkets in seven major cities in Korea surveyed by the KCCI also increased by 14 percent to 2.46 billion won (average annual exchange rate: 1,290.8 won/US$) in 2001 from 2.16 billion won in 2000. Of the average annual sales per outlet, food sales accounted for 79.3 percent and the remaining 20.7 percent was non-food items.

3. Convenience Stores. According to the KCCI report, there were 3,753 convenience stores of the 7 largest convenience store companies in 2001 from 2,646 stores in 2000. The total sales of these 7 convenience store companies totaled 1,829 billion won (average annual exchange rate: 1,290.8 won/US$) in 2001 compared to 1,244 billion won in 2000, and the average annual sales per store was 495 million won in 2001 from 537 million won in 2000. Of the total sales, food and beverage sales accounted for 59.5 percent in 2001 compared to 64.6 percent in 2000. For instance, the Yearbook of Distribution Industry indicates that the total sales of Seven Eleven (Korea Seven Co., Ltd) increased 419 billion won in 2001 from 266 billion won in 2000.

4. Discount Stores. This is the fastest growing sector in the industry. The average annual sales of each discount store of 192 in 2001 (from 123 in 2000) surveyed by the KCCI amounted to 83 billion won (average annual exchange rate: 1,290.8 won/US$) in 2001 from 84.9 billion won in 2000. Of the average annual sales per store, food and beverage accounted for 54.6 percent. Of the average annual sales of each discount store, imported goods including food accounted for 10.3 percent in 2001 compared to 8.1 percent in 2000. Of imported goods, imported food accounted for 60.6 percent. For instance, the Yearbook of Distribution Industry indicates that the total sales of Walmart, Korea with 11 stores increased 570 billion won in 2001 from 403 billion won in 2000, the total sales of Costco Korea with 5 stores increased to 221 billion won in 2001 from 181 billion won in 2000, and Carrefour, Korea with 22 stores increased 1.15 trillion won in 2001 from 1 trillion won in 2000.

B. Hotel, Restaurant and Institutional Industry

Changes in lifestyle and dietary culture along with remarkable development in socio-economic environment have been interpreted into a rapid growth of food service sector. The monthly average per capita spending on eating outside of the home has continued a steady rise to reach W54,579 won ($1 = W1,200 won as of July 2002) in 2001, 34% up from W40,810 in 1999. In other words, each Korean spent 41% of his/her food expenditure, or 10.8% of total spending, eating outside of the home in 2001, up from 35.5% and 9.9% respectively in 1999. Although the food expenditure has gradually lost its share in total consumer spending, eating out has consistently increased its share in both food expenditure and total spending over the past decades. The food service sector garnered approximately W35.8 trillion of cash register sales in 2000, 6.5% up from W33.6 trillion in 1999, and is expected to continue to grow at 4-5% annually. The number of food service businesses also has shown a rapid increase, reaching 570,576 in 2000 with total 1.43 million employees. However, 95.3% of businesses in the sector are family-owned mom-and-pop restaurants that hire less than 5 employees. In addition, about 65% of businesses in the sector earn less than W49.5 million of annual sales. The growth of the food service sector in recent years is mainly driven by the expansion of incorporated businesses operating chain restaurants of various formats, including family restaurants, fast food restaurants, bars and institutional feeding restaurants. In addition the sector is diversifying rapidly with a variety of new-to-market cuisines and recipes to meet the consumers' ever strong demand for new and international tastes, quick service and high quality foods. The outlook for U.S. food exports to this sector is excellent, especially for beef, pork, poultry, seafood, vegetables and fruits (frozen, dehydrated and canned), dairies, alcoholic beverages, sauces and spices, bakery ingredients, prepared foods and organic foods.

For further detailed information on the hotel, restaurant and institutional industry in Korea, please refer to K2041 dated September 5, 2002.

C. Domestic Food Processing Sector

The Korean food and beverage manufacturing and processing industry is a major consumer of imported raw materials, intermediate products, ingredients and additives. Imports are necessary to support the processing industry because local production is constrained by a lack of arable land(70 percent of Korea's food products are imported). The area of cultivated land shrank to 1,888,765 hectares in 2000 from 1,985,257 hectares in 1995. The main reason for the loss of farmland is the ongoing urbanization of rural areas.

Except for rice which has a large surplus, Korea imports a large number of agricultural products for processing. Corn, soybeans, wheat, essential oils, frozen concentrated orange juice, turkey meat, duck meat, almonds, walnuts, powdered milk, whey powder and beef tallow are good examples of raw materials or ingredients imported into Korea for use in food processing. U.S. suppliers have a strong opportunity to export raw materials or ingredients for use in food processing in Korea.

The Report on Mining and Manufacturing Survey published in December 2001 shows total output of the Korean food, dairy, livestock and beverage manufacturing sector in 2000 (Statistics for 2001 are not yet available) was $33 billion, of which the livestock, fruit, vegetable and fat processing sector accounted for about 22.7 percent (about $7.5 billion), dairy processing accounted for 9.1 percent (about $3 billion), grain/starch/feed manufacturing sector accounted for 22.7 percent (about $7.5 billion), beverage and alcoholic sector accounted for 16.4 percent (about $5.4 billion) and other food processing sector including bakery and candy accounted for 29.1 percent (about $9.6 billion). The average annual exchange rate of won against the US dollar in 2000 was 1,130.6 won.

Most Korean food and beverage manufacturers are small scale companies. According to the same report above, as of the end of 2000, there were 6,421 food, livestock, dairy and beverage manufacturing plants with a labor force of five or more nationwide. Of these there are only 23 manufacturers with 500 employees or over as shown on the following table. Only 4.6 percent (297 manufacturers) have 100 or more employees.

Employment Size of Food and Beverage Manufacturers (1999)

No. of Employees	No. of Manufacturers	percent
5 - 9	2,990	46.6%
10- 19	1,544	24%
20- 49	1,184	18.4%
50- 99	406	6.3%
100-199	180	2.8%
200-299	61	1%
300-499	33	0.5%
500 and over	23	0.4%
Total	6,424	100%

D. Trends in Tourism Sales, Holiday Sales and Internet Sales

The Korea/Japan World Cup 2002 did not bring as much business as expected. There were not so many foreign spectators as expected because the World Cup games were held in Korea and Japan, and those strong countries in football such as France and Spain lost in the early rounds and returned early to their countries with most of their cheer groups .

The Asian Games will be held in Pusan, Korea starting from September 29 through the middle of October 2002. There will be many travelers in Korea for this event in order to watch the games. We believe this event will provide good business opportunities for U.S. food suppliers because there will be more countries (44 countries for the Asian Games compared to 16 countries for the World Cup in Korea) with more players at the Asian Games than the World Cup. Hotels and restaurants are good places for these travelers to enjoy a wide variety of imported foods as well as local foods.
There are two big holidays in Korea, one is 3 day Chusok (Korean Thanksgiving Day) holiday in September this year, the other is 3 day Lunar New Year Holiday in February next year. During these holidays, many Koreans give gifts to their relatives, friends and business partners. Beef ribs, fruits, and other high value food products are some of the gifts that are popular during these holidays.

Communication sales are becoming popular and increasing very rapidly. The Food Distribution Yearbook 2002 (Food Journal) indicates that the total sales through TV home shopping reached about 1.9 trillion Korean won in 2001 and the Analysis of the Trend of Retail Business 2001 published in July 2002 forecasts that the total sales through TV home shopping will reach about 5 trillion won in 2002 as three new TV home shopping companies started their business in the second half of 2001 compared to only two companies before. The Food Distribution Yearbook 2002 (Food Journal) indicated the Internet shopping market totaled about 2.3 trillion Korean won in 2001 and forecasts that the sales will reach 3 trillion Korean won. Of the total communication sales food including health food accounted for 9.8 percent in 2001. The current exchange is about 1,200 won against US dollar.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

1. Red Meat
2. Poultry Meat
3. Seafood
4. Citrus
5. Processed potatoes
6. Frozen vegetables
7. Sauces
8. Coffee
9. Confectionery
10. Bakery products
11. Wine
11. Pet food
13. Beef offals/guts/stomachs
14 . Processed fruits and vegetables

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

For further detailed information about the Korean market, please contact:

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U.S. Embassy, Seoul, Korea
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EXPORTER GUIDE
APPENDIX I. STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) 1/	11,926/28%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%) 1/	2,772/37%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) 1/	1,585/9.4%
Total Population (Millions) / Annual Growth Rae (%)	47/ 0.7%
Urban Population (Millions) / Annual Growth Rate (%) 2/	42.7/3.6%
Number of Major Metropolitan Areas 3/	7
Size of the Middle Class (Millions) / Growth Rate (%) 4/	N/A
Per Capita Gross Domestic Product (U.S. Dollars) 5/	$8,900
Unemployment Rate (%)	3.7%
Per Capita Food Expenditures (U.S. Dollars) 6/	$360
Percent of Female Population Employed 7/	47
Exchange Rate (US$1 = Korean won) 8/	1,290.8

All data are for 2001 unless otherwise noted.

Food Notes
1/ Korea Trade Information Service compiled by ATO Seoul
2/ Urban population in 2000 and annual growth rate over 1999
3/ Population in excess of 1,000,000
4/ Official data is not available
5/ Per capita Gross National Income-preliminary, GDP is not available
6/ Average monthly household expenditures on food and beverage in cities
7/ Percent against total number of women (15 years old or above)

8/ Average annual exchange rate of won against the U.S. dollar in 2001

Korea, Republic of Imports (In Millions of Dollars)	**Imports from the World** 1999	2000	2001	**Imports from the U.S.** 1999	2000	2001	**U.S Market Share** 1999	2000	2001
CONSUMER-ORIENTED AGRICULTURA	2,080	2,708	2,607	748	1,087	976	36	40	37
Snack Foods (Excl. Nuts)	78	106	117	21	30	27	27	28	23
Breakfast Cereals & Pancake Mix	3	6	5	1	1	1	24	24	22
Red Meats, Fresh/Chilled/Frozen	735	1,054	734	338	549	375	46	52	51
Red Meats, Prepared/Preserved	29	35	42	15	18	18	53	53	43
Poultry Meat	55	74	100	38	47	48	69	63	48
Dairy Products (Excl. Cheese)	90	97	109	12	18	19	14	19	18
Cheese	55	71	88	8	12	14	14	17	16
Eggs & Products	15	14	18	7	6	8	47	45	45
Fresh Fruit	135	181	188	33	71	84	25	39	45
Fresh Vegetables	33	29	35	4	1	1	11	3	2
Processed Fruit & Vegetables	275	301	309	93	98	99	34	33	32
Fruit & Vegetable Juices	87	95	87	32	26	28	37	28	32
Tree Nuts	19	21	28	17	18	23	87	87	82
Wine & Beer	17	25	35	3	5	8	18	21	24
Nursery Products & Cut Flowers	24	29	30	1	1	1	1	1	1
Pet Foods (Dog & Cat Food)	12	14	20	9	9	12	74	64	58
Other Consumer-Oriented Products	417	557	663	116	178	211	28	32	32
FISH & SEAFOOD PRODUCTS	1,115	1,338	1,585	122	138	149	11	10	9
Salmon	16	23	20	1	1	2	4	5	10
Surimi	97	96	112	47	52	63	49	55	56
Crustaceans	135	220	253	5	7	9	4	3	3
Groundfish & Flatfish	439	481	593	57	60	57	13	12	10
Molluscs	118	121	156	1	1	1	1	1	1
Other Fishery Products	310	395	451	12	17	17	4	4	4
AGRICULTURAL PRODUCTS TOTAL	7,223	8,064	8,038	2,787	2,814	2,891	39	35	36
AGRICULTURAL, FISH & FORESTRY TC	9,742	10,970	11,195	3,086	3,123	3,197	32	28	29

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

C. TOP 15 SUPPLIERS OF CONSUMER FOODS AND EDIBLE FISHERY PRODUCTS

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 40(

Reporting: Korea, Republic of - Top 15 Ranking	Import		
	1999 Value 1000$	2000 Value 1000$	2001 Value 1000$
United States	748,056	1,087,106	976,328
China (Peoples Republic of)	210,553	266,090	309,578
Australia	214,108	235,467	229,599
New Zealand	79,170	97,632	112,934
Philippines	97,610	105,959	103,257
Thailand	33,678	45,864	90,060
Japan	60,681	81,534	84,466
Canada	76,908	111,376	73,591
Netherlands	82,731	96,260	72,616
France	67,015	92,885	71,075
Belgium	22,776	14,562	58,413
Denmark	89,679	89,832	57,887
Brazil	44,194	44,443	37,863
Taiwan (Estimated)	14,791	29,329	37,553
Germany	26,364	31,505	34,750
Other	211,799	278,348	257,357
World	2,080,143	2,708,198	2,607,343

Source: United Nations Statistics Division

FISH & SEAFOOD PRODUCTS - 700

Reporting: Korea, Republic of - Top 15 Ranking	Import		
	1999 Value 1000$	2000 Value 1000$	2001 Value 1000$
China (Peoples Republic of)	407,576	478,813	628,631
Russian Federation	200,187	122,063	152,419
United States	122,073	138,188	148,513
Japan	88,615	165,675	132,630
Vietnam	39,503	71,957	101,443
Thailand	42,904	66,986	82,993
Taiwan (Estimated)	20,908	31,173	45,600
Norway	11,924	17,792	24,957
Canada	18,841	18,461	24,511
Indonesia	21,049	27,052	24,133
Mexico	15,249	23,686	16,513
United Kingdom	7,561	13,836	16,298
India	4,582	11,314	16,226
New Zealand	14,558	15,640	15,687
Philippines	7,119	13,309	14,748
Other	92,298	121,653	139,932
World	1,114,952	1,337,596	1,585,246

Source: United Nations Statistics Division

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